COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1169-01
Bill No.: SB 220
Subject: Unemployment Compensation; Employees - Employers
Type: Original
Date: February 13, 2015

Bill Summary: This proposal modifies the duration of unemployment compensation, the method to pay federal advances, and raises the fund trigger causing contribution rate reductions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Unemployment Compensation Trust	$0 to Greater than $9,281,573	$0 to Greater than $9,281,573	$0 to Greater than $9,281,573
Unemployment Insurance Administration	$0 to (Greater than $121,452)	$0 to (Unknown)	$0 to (Unknown)
Total Estimated Net Effect on All Federal Funds	**$0 to Greater than $9,160,121**	**$0 to Greater than $9,281,573**	**$0 to Greater than $9,281,573**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Accounting** assume the proposal will have no fiscal impact on their organization.

The officials from the **Attorney General's Office** assume any potential cost arising from this proposal can be absorbed with existing resources.

Officials from the **Department of Labor and Industrial Relations** (**DOLIR**) assume the proposed changes would index the maximum number of weeks benefits are payable to a qualified claimant to the average statewide unemployment rate during the three months of the most recent third calendar year quarter. DOLIR officials estimate the proposed language may result in eligible claimants receiving from $0 (no change) to $83.3 million less in regular unemployment insurance (UI) benefits than they would under current provisions. The following chart illustrates the DOLIR estimate of potential benefit reductions.

If Unemployment Rate is	# Regular UI Weeks Reduced	Maximum Duration for Regular UI	Estimated Regular UI Benefits NOT Paid to Eligible Recipients (Trust Fund)	Incremental Difference For Additional Week
> = 9.0	0 Weeks (no change)	20 weeks		
8.6 - 8.9	1 week	19 weeks	$ 9,281,573	$ 9,281,573
8.0 - 8.5	2 weeks	18 week	$ 19,100,151	$ 9,818,578
7.6 - 7.9	3 weeks	17 week	$ 29,797,573	$ 10,697,422
7.0 - 7.5	4 weeks	16 weeks	$ 41,660,647	$ 11,863,074
6.6 - 6.9	5 weeks	15 weeks	$ 54,627,066	$ 12,966,419
6.0 - 6.5	6 weeks	14 weeks	$ 68,573,821	$ 13,946,755
< 6.0	7 weeks	13 weeks	$ 83,300,444	$ 14,726,623

Oversight does not have a way to estimate future unemployment rates; therefore, it is difficult to accurately predict the amount of savings this proposal could generate. Oversight will indicate savings to the Unemployment Compensation Trust Fund as $0 (unemployment rate higher than reduced benefit rate) to Greater than $9,281,573 (the DOLIR estimate of savings from a one week reduction in benefits.)

ASSUMPTION (continued)

Department of Labor and Industrial Relations officials also assumed that implementation of this provision would require computer programming costs estimated at $121,452.

Oversight will include the one time computer upgrades for the Department of Labor to the UI Administration Fund in this fiscal note.

DOLIR officials assume the proposed changes could reduce taxes paid into the Unemployment Compensation Trust Fund. Since fewer benefits would be paid under this proposal, the amount of tax that would otherwise be paid would be reduced in subsequent years as employer experience ratings are adjusted to reflect the reduction in benefit payments. DOLIR officials stated they cannot estimate this impact.

DOLIR officials also assume the proposed changes would reduce the amount of money DOLIR receives from the United States Department of Labor (USDOL) to administer the unemployment program because it would decrease the number of weeks claimed. DOLIR officials stated they cannot estimate this impact.

Finally, DOLIR officials assume the proposed changes would modify the balance levels in the Unemployment Compensation Trust Fund at which employer contribution rates would be changed. DOLIR officials noted the proposed language would allow for a higher balance to be accumulated in the fund.

Oversight assumes these provisions would have a negative impact on the fund, but considers the potential changes to be prospective and will not include them in this fiscal note. Further, Oversight assumes those adjustments would be made after the period covered by this fiscal note.

Department of Labor and Industrial Relations officials noted this proposal would require the Board of Unemployment Fund Financing to meet and consider using the use of credit instruments in place of federal advances when the federal debt is greater than $300 million.

Oversight assumes the Board of Unemployment Fund Financing would have the option to issue debt instruments in place of federal loans. Oversight notes the debt instruments may have a higher interest rate than the federal loans, but Missouri employers could potentially avoid the reduction in state tax credit on federal unemployment taxes if federal loans are paid off with state financing instruments. This would tend to offset the additional interest cost of the state financing instruments.

ASSUMPTION (continued)

Oversight will include a cost to the UI Administration Fund for the potential increased costs for the change to the repayment of the federal loan process. Oversight assumes the increased costs to the UI Administration Fund would be significantly less than the savings to the Unemployment Compensation Trust Fund. Therefore, these changes should result in a net savings to the State.

FISCAL IMPACT - State Government	FY 2016 (10 Mo.)	FY 2017	FY 2018
UNEMPLOYMENT COMPENSATION TRUST FUND			
Savings - DOLIR Reduction of weekly benefits based on unemployment rate	$0 to Greater than $9,281,573	$0 to Greater than $9,281,573	$0 to Greater than $9,281,573
ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION TRUST FUND	**$0 to Greater than $9,281,573**	**$0 to Greater than $9,281,573**	**$0 to Greater than $9,281,573**
UNEMPLOYMENT INSURANCE ADMINISTRATION FUND			
Cost - DOLIR Computer programming changes	($121,452)	$0	$0
Credit instrument increased charges	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT ON UNEMPLOYMENT INSURANCE ADMINISTRATION FUND	**$0 to (Greater than $121,452)**	**$0 to (Unknown)**	**$0 to (Unknown)**

FISCAL IMPACT - Local Government	FY 2016 (10 Mo.)	FY 2017	FY 2018
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses may be impacted by the potential reduction in unemployment taxes and by the potential elimination of state tax credit reductions on federal unemployment taxes.

FISCAL DESCRIPTION

Currently, the maximum total amount of benefits any insured worker may receive during any benefit year must not exceed 20 times his or her weekly benefit amount, or 33 1/3% of his or her wage credits, whichever is lesser. This bill modifies the limitation of unemployment compensation during any benefit year to the following:

1) 20 weeks if the Missouri average unemployment rate is 9% or higher;

2) 19 weeks if the Missouri average unemployment rate is between 8 1/2% and 9%;

3) 18 weeks if the Missouri average unemployment rate is 8% up to and including 8 1/2%;

4) 17 weeks if the Missouri average unemployment rate is between 7 1/2% and 8%;

5) 16 weeks if the Missouri average unemployment rate is 7% up to and including 7 1/2%;

6) 15 weeks if the Missouri average unemployment rate is between 6 1/2% and 7%;

7) 14 weeks if the Missouri average unemployment rate is 6% up to and including 6 1/2%; and

8) 13 weeks if the Missouri average unemployment rate is below 6%.

The bill also modifies the method to pay federal advances and raises the fund trigger causing contribution rate reductions.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Labor and Industrial Relations
Attorney General's Office
Office of Administration

Mickey Wilson, CPA
Director
February 13, 2015

Ross Strope
Assistant Director
February 13, 2015

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